STATE OF IOWA

DEPARTMENT OF COMMERCE

UTILITIES BOARD

IN RE:

EXECUTIVE ORDERS 8 AND 9 REVISIONS TO CHAPTERS 16, 18, 23, 31, 32, 33, AND 34 DOCKET NO. RMU-02-10

ORDER ADOPTING AMENDMENTS

(Issued June 5, 2003)

Pursuant to the authority of Iowa Code §§ 17A.4, 476.1, 476.1A, 476.1B, 476.1C, 476.2, 476.9, 476.16, 476.18, 476.71, 476.74, and 476.77, the Utilities Board (Board) issued an order on December 6, 2002, commencing a rule making in Docket No. RMU-02-10, In re: Executive Orders 8 and 9 Revisions to Chapters 16, 18, 23, 31, 32, 33, and 34. The rule making proposed amendments to update, revise, and clarify Board rules in chapters 16, 18, 23, 31, 32, 33, and 34 based upon a review conducted in response to Executive Orders 8 and 9. "Notice of Intended Action" was published in IAB Vol. XXV, No.13 (12/25/02) p. 945, as ARC 2213B.

Written comments were filed by MidAmerican Energy Company
(MidAmerican), Interstate Power and Light Company (IPL), the Consumer Advocate
Division of the Department of Justice (Consumer Advocate), the Iowa Association of
Municipal Utilities (IAMU), and the Iowa Association of Electric Cooperatives (IAEC).
The Board will address the comments below. Many of the comments suggested
updates and grammatical or other non-substantive revisions to the proposed rule.
The Board has adopted most of those revisions but since they do not change the

requirements or meaning of the rules, the Board will not include a discussion of those revisions in this order. Comments concerning more substantive revisions will be addressed.

199 IAC 16.2(476):

The Board will include the most recent edition of the Rural Utilities Service uniform system of accounts as suggested by IAEC.

199 IAC 16.2(1):

IAEC suggested that 199 IAC 16.2(1) should be modified to clarify that the intent of the changes in definitions is to change only the definitions in 18 CFR Part 101, and not those found in the Rural Utility Service (RUS) uniform system of accounts. The RUS accounts do not contain the definitions being modified. The Board will adopt IAEC's suggestion. The revision proposed by the IAEC should clarify that definitions are published in 18 CFR Part 101 and do not apply to the RUS uniform system of accounts for rural electric cooperatives.

199 IAC 16.2(2):

The IAEC suggested that 199 IAC 16.2(2) should be modified to clarify that the intent of definition 29 is to change only the definitions in 18 CFR Part 101 and not those found in RUS uniform system of accounts. The RUS does not contain the definitions being modified.

The Board will adopt IAEC's suggestion. The additional language added to 16.2(2) should clarify that definition 29, published in 18 CFR Part 101, does not apply to the RUS uniform system of accounts for rural electric cooperatives.

199 IAC 16.2(5):

IAEC suggests for clarity and consistency that the Board add a sentence to 16.2(5) indicating that it is recommended but not mandated that non-rate regulated electric cooperatives keep their accounts in accordance with RUS standards. IAEC says that Iowa Code § 476.9(4) directs the Board to consult with other state and federal regulatory bodies for the purpose of eliminating accounting discrepancy with regard to the keeping of public utility accounts before prescribing any system of accounts to be kept by the public utility. In addition, Iowa Code § 476.74(8) provides for similar consultation for the purpose of eliminating duplicate or conflicting filing requirements. To the extent that rural electric cooperatives follow the RUS system of accounts, IAEC suggests the Board should not mandate use of any conflicting system of accounts.

The Board will adopt IAEC's suggestion.

199 IAC 18.1"c":

IPL suggested that 199 IAC 18.1"c" should be amended to reflect that NARUC may issue guidelines for state commissions but does not adopt rules. The Board will adopt the revision.

199 IAC 18.5(2):

IAEC suggested that 199 IAC 18.5(2), relating to preservation of records, be modified. While FERC rules on this subject do not apply to non-rate regulated electric cooperatives, the RUS has applicable rules. RUS is in the process of codifying its rules and regulations, which have historically been found in Bulletins. RUS Bulletin 180-2, entitled "Manual for Preservation of Borrowers Records"

(Electric), issued June 6, 1972, does not contain an expiration date and continues to be a valid reference until such time as it is codified into the Code of Federal Regulations. IAEC suggests the proposed rule should be changed to refer to the applicable RUS Bulletin, rather than the FERC rules.

The Board will adopt IAEC's revisions. The RUS Bulletin 180-2 sets the number of years a rural electric utility will be required to keep various financial or other records and makes those records available for inspection by regulatory agencies.

199 IAC 18.7(2):

IPL suggests that 199 IAC 18.7(2) should be amended. NARUC issues guidelines that state commissions may adopt as rules to regulate utilities under their jurisdiction, but NARUC does not have authority to issue "rules" or "regulations" with any binding effect on utilities. IPL also proposed other language that was incorporated in 18.7(2) to clarify that the rule applies to water utilities. The Board will adopt IPL's proposed revisions.

199 IAC 23.2(7):

IAEC suggested that subrule 23.2(7), relating to electric cooperative annual reports, should be modified to clarify that the rule applies only to rate regulated electric cooperatives. The Board did not propose changes to this subrule and IAEC's revision will not be adopted in this rule making. All rural electric cooperatives are required to file the same form for annual reports. The Board will consider further revisions to this provision in the next rule making for chapter 23.

199 IAC 23.3(4):

The IAEC suggests adding a new subsection 199 IAC 23.3(4) that contains the requirement for non-rate regulated cooperatives to file an annual report. The Board will not make this revision in this rule making.

199 IAC 31.3(1):

IPL suggests that 199 IAC 31.3(1), relating to annual reporting of affiliate transactions, should be amended to be consistent with the other provisions of current rule 31.3 regarding the filing of an executive summary of contracts. The Board will adopt the proposed revisions to clarify the contract data that is required to be included in the executive summary.

199 IAC 32.4(3):

New paragraphs "f" to "h" are proposed to be added to subrule 32.4(3), which identifies the financial details that must be included with a proposal for reorganization. MidAmerican suggested that the term "preliminary statements," rather than "draft statements," should be used to define the information to be filed with the Board pursuant to proposed rule 32.4(3)"h" if final statements are not available. MidAmerican states that preliminary proxy statements are sometimes filed with the Securities and Exchange Commission, whereas there may be daily draft versions of a proxy in the event of a major reorganization and the preliminary statement would more accurately reflect the terms of the contract.

The Board will adopt MidAmerican's revision. The Board is looking for the most reliable information available when reviewing a company's reorganization

proposal. A preliminary statement of the type filed with the federal Securities and Exchange Commission should suit the Board's needs.

199 IAC 32.4(6)"a":

MidAmerican suggests that the requirement for five years of information may affect service and reliability. MidAmerican recommends that the rule be made flexible to allow for filing of information the applicant considers relevant.

The Board will not adopt MidAmerican's proposed revision. If there is a conflict with other jurisdictions or the requirement may not be applicable to a specific situation, the applicant may file for a waiver of this provision.

199 IAC 33.5(476):

This proposed rule addresses changes in cost allocation manuals.

MidAmerican suggested that the rule should be amended to allow a utility to file a descriptive letter, if there are no changes, or only the changed pages in the cost allocation manual, rather than the complete manual, if there are only minor changes such as a new account or new affiliates. The Board will approve MidAmerican's proposed revisions. Updating of the cost allocation manual when there are only minor changes and filing only the pages affected will reduce unnecessary duplication.

199 IAC 34.1:

IAEC and IAMU suggest that this rule, which relates to marketing of nonutility services, should be modified to state that chapter 34 only applies to rate-regulated utilities. The revision proposed by IAEC and IAMU affects a rule that was not included in the notice of proposed rule making and is beyond the scope of the notice.

On that basis, it would not be appropriate to make the revision in this docket and it will not be adopted.

The Board has attached and incorporated by reference in this order an "Adopted and Filed" notice to be published in the Iowa Administrative Bulletin that reflects the amendments adopted by the Board as revised based upon the filed comments.

IT IS THEREFORE ORDERED:

- 1. The rule making identified as Docket No. RMU-02-10 is adopted in the form attached to this order.
- 2. The Executive Secretary is directed to submit for publication in the Iowa Administrative Bulletin an "Adopted and Filed" notice in the form attached to and incorporated by reference in this order.

UTILITIES BOARD

/s/ Diane Munns /s/ Mark O. Lambert ATTEST: /s/ Judi K. Cooper /s/ Elliott Smith Executive Secretary

Dated at Des Moines, Iowa, this 5th day of June, 2003.

UTILITIES DIVISION [199]

Adopted and Filed

Pursuant to the authority of Iowa Code sections 17A.4, 476.1, 476.1A, 476.1B, 476.1C, 476.2, 476.9, 476.16, 476.18, 476.71, 476.74, and 476.77, the Utilities Board (Board) issued an order on June 5, 2003, adopting amendments in Docket No. RMU-02-10, In re: Executive Orders 8 and 9 Revisions to Chapters 16, 18, 23, 31, 32, 33, and 34, "Order Adopting Amendments." The Board order adopts amendments updating, revising, and clarifying Board rules in chapters 16, 18, 23, 31, 32, 33, and 34 based upon a review conducted in response to Executive Orders 8 and 9. Notice of Intended Action was published in IAB Vol. XXV, No.13 (12/25/02) p. 945, as ARC 2213B.

Written comments were filed by MidAmerican Energy Company (MidAmerican), Interstate Power and Light Company (IPL), the Consumer Advocate Division of the Department of Justice (Consumer Advocate), the Iowa Association of Municipal Utilities (IAMU) and the Iowa Association of Electric Cooperatives. The Board did not schedule an oral presentation and no one requested a presentation. The order adopting the amendments, with the Board's discussion of the comments, can be found on the Board's Web site at www.state.ia.us/iub.

These amendments are intended to implement lowa Code sections 17A.4, 476.1, 476.1A, 476.1B, 476.1C, 476.2, 476.9, 476.16, 476.18, 476.71, 476.74, and 476.77. The following amendments are adopted to become effective July 30, 2003.

Item 1. Amend rule 199—16.1(476) as follows:

- 199—16.1(476) Accounting—general information.
- **16.1(1)** Application of rules. These rules shall apply to any utility operating within the state of lowa under the jurisdiction of the lowa State Utilities board and are made pursuant to <u>lowa Code</u> chapter 476, subject to the following conditions:
- a. If unreasonable hardship to the utility or to a customer results from the application of any rule herein prescribed, application may be made to the board for modification of the rule or the temporary or permanent exemption from its requirements. A utility may request a waiver of any of the rules in this chapter by filing a request for waiver pursuant to 199 IAC 1.3 (17A,474,476,78GA,HF2206).
- b. The adoption of these rules shall in no way preclude the board from altering or amending them, or from making such modifications with respect to their application as may be found necessary to meet exceptional conditions.
- c. These rules shall in no way relieve any utility from any of its duties under the laws of this state.
 - **16.1(2)** No change.
- 16.1(3) Implementation of rules. These rules shall be effective on January 1,

 1978. However, any utility may earlier, at its option and with prior notification to the board implement the provisions of these rules in lieu of the rules hereby superseded.
 - Item 2. Amend rule 199—16.2(476) as follows:
- 199—16.2(476) Uniform systems of accounts—electric. The uniform systems of accounts for public utilities and licensees subject to the provisions of the Federal Power Act, parts 18 CFR Part 101 and 104 published in the Federal Energy Regulatory Commission's rules and regulations, in effect on April 1, 1973, together

with amendments thereto issued through February 2, 1977, April 1, 2000, and the January 1, 1978, January 1, 2002, uniform system systems of accounts for rural electric cooperatives prescribed for electric borrowers of the Rural Electrification Administration Rural Utilities Service, as applicable, are adopted with the following modifications:

- **16.2(1)** Definition 7 <u>published in 18 CFR Part 101</u> is changed to read:

 "Commission," "Commission" means the lowa state utilities board except where reference is made to the licensing authority of the Federal Energy Regulatory Commission (as in Definitions 19 and 24) (as in definitions 22 and 27), where "Commission" Commission shall mean the Federal Energy Regulatory Commission.

 "Commission." This change does not apply to definitions found in Rural Utilities

 Service uniform system of accounts for rural electric cooperatives.
- **16.2(2)** Definition 26-29 published in 18 CFR Part 101 is changed to read: "Public Utility," "Public Utility" means any natural or legal person, or other entity, defined as a public utility and made subject to the authority of the lowa state utilities board by lowa Code section 476.1." This change does not apply to definitions found in Rural Utilities Service uniform system of accounts for rural electric cooperatives.
- 16.2(3) General instruction 1-A of the uniform systems of accounts for electric utilities is changed for Class D electric utilities to read: "Utilities having annual electric operating revenue of less than \$150,000.00."
 - **16.2(4)** No change.
- **16.2(5)** General instruction 1-D of the uniform systems of accounts for electric utilities is modified by adding the following sentence: "It is recommended but not

required that electric utilities not subject to rate regulation, other than electric cooperatives, keep all applicable accounts as recommended for Class A, B, C, and D utilities in accordance with the Federal Energy Regulatory Commission uniform systems of accounts, 18 CFR Part 101." Rural electric cooperatives not subject to rate regulation may choose to keep all applicable accounts in accordance with the Rural Utilities Service uniform system of accounts.

- **16.2(6)** General instruction 2-D of the uniform systems of accounts for electric utilities is modified by adding the following sentence: "This shall not prohibit the electric utilities from using such additional accounts as they are required or permitted to keep for their reporting to other regulatory authorities or to their stockholders, providing the board is notified of the nature, amount, and purpose of such accounts in the annual report to the board and at such other times as may be requested by the board."
- **16.2(7)** The definitions for the uniform systems of accounts for electric utilities, when used in account 424, "Promotional Practices," are modified to include the following definitions:
- 50.a. The word "affiliate" shall mean any person doing business in this State state who directly or indirectly controls or is controlled by or is under common control with, a public utility.
- 51.b. The words "appliance" or "equipment" shall mean any device, including a fixture, which consumes electric energy and any ancillary device required for its operation.

<u>52.c.</u> The word "consideration" shall mean any cash, donation, gift, allowance, rebate, bonds, merchandise (new or used), property (tangible or intangible), labor, service conveyance, commitment, right, or other thing of value.

53.d. The word "financing" shall include acquisition of equity or debt interests, loans, guarantee of loans, advances, sale and repurchase agreements, sale and lease back agreements, sales on open account, conditional or installment sales contracts, or other investment or extensions of credit.

54.e. The word "person" shall include an individual, architect, builder, engineer, subdivider, developer, dealer, group, firm, partnership, corporation, cooperative, association, or other organization, but not including state or local political subdivisions or municipal corporations.

55.<u>f.</u> The words "public utility" or "utility" shall include persons defined to be public utilities in Iowa Code section 476.1.

56-g. The words "promotional practices" shall mean any consideration offered or granted by a public utility or its affiliate to any person for the purpose, express or implied, of inducing such person to select or use the service or additional service of such utility, or to select or install any appliance or equipment designed to use such utility service; provided that the words "promotional practices" shall not include the following activities:

(a)(1) Providing repairs and service to appliances or equipment of customers of a public utility in an emergency or to restore service or to prevent hazardous conditions or service interruptions.

(b)(2) Inspection and adjustment of appliances or equipment by a public utility.

- (c)(3) Repairs and other maintenance to appliances or equipment by a public utility that could be performed by an independent appliance dealer or service shop if charges are at cost or above.
- (d)(4) Providing service, wiring, piping, appliances, or equipment in accordance with tariffs, rules, or regulations of a public utility on file with and approved by the board.
- (e)(5) Providing appliances, equipment, or instructional services to an educational institution for the purpose of instructing students in the use or repair of such appliances or equipment.
- (f)(6) Providing discounts or financing to employees of a public utility to encourage their use of the utility's service.
- (g)(7) Merchandising and related inventorying of appliances or equipment for sale at retail and making and fulfilling reasonable warranties against defects in material and workmanship in appliances or equipment existing at the time of delivery; the elimination of hazardous conditions which due to a grandfather provision would not be corrected by the customer and yet would require correction to protect the public and minimize company liability.
- (h)(8) The replacement of or alterations to a customer's obsolete or inefficient system.
- (i)(9) Technical, informational, or educational assistance offered to persons on the use of energy furnished by a public utility or on the use of maintenance of appliances or equipment.

- (j)(10) Lunches, gifts, door prizes, etc., presented for attendance at informational meetings, conferences, etc., valued at \$10 or less shall not be considered to be a promotional practice.
- (k)(11) Providing appliances or equipment incidental to exhibitions, demonstrations, tests, or experiments of reasonable duration.
- (I)(12) Any promotional practice, or program which includes a promotional practice, designed to develop or implement programs that promote energy efficiency and are part of the utility's energy efficiency plan developed pursuant to 199 IAC 35

 199—Chapter 35.
- **16.2(8)** The uniform systems of accounts for electric utilities are modified to include the following:
- **424 Promotional Practices** <u>a. 424 Promotional Practices.</u> This account shall include the cost of labor, materials used, and expenses or losses incurred by the utility or an affiliate (where such costs are charged back to the company) on promotional practices. Promotional practices, or programs which include promotional practices, and the labor, materials, and expenses related to promotional practices, which are exempted by subrule 16.7(2) need not be included in this account. The account shall include, but not be limited to, the following items:
- A.(1) The financing of land or the construction of any building when the same is not owned or otherwise possessed by the utility or its affiliate, without Board board written approval.
- B.(2) The furnishing of consideration to any person for work done or to be done on property not owned or otherwise possessed by the utility or its affiliate, except for

the following: Studies to determine comparative capital or operating costs and expenses, or to show the desirability and feasibility of selecting one form of energy over another, contributions for research and development of new energy sources, etc.

- C:(3) The acquisition from any person of any tangible or intangible property or service for a consideration in excess of the value thereof or the furnishing to any person of any tangible property or service for a consideration of less than the value thereof. "Value" in this instance is defined as the fair market price of the property or service under competitive market conditions and under arm's length conditions.
- D-(4) The furnishing of consideration to any person for the sale, installation, or use of appliances or equipment of one form of energy over another. Employees who are paid a commission in lieu of salary for the initial sale of appliances are exempted.
- E.(5) The provision of free, or at less than cost or value, wiring, piping, appliances, or equipment to any person; provided that a utility, engaged in an appliance merchandising sales program, shall not be precluded from conducting legitimate closeouts of appliances, clearance sales, or sales of damaged or returned appliances. All items required by service rules of this Board board are exempted.
- F.(6) The provision of free, or at less than cost or value, installation, operation, repair, modification, or maintenance of appliances, equipment, wiring or piping to any person. This would not include services provided for the convenience and safety of customers such as gas leak testing, lighting of furnaces, etc.

- G.(7) The granting of a trade-in allowance on the purchase of any appliance or equipment in excess of the reasonable value of the trade-in based on the past experience of a company or the granting of a trade-in allowance for such appliance or equipment when such allowance varies by the type of energy consumed in the trade-in.
- H.(8) The financing of the acquisition of any appliance or equipment at a rate of interest or on terms significantly more favorable than those generally applicable to sales by nonutility dealers in such appliances or equipment.
- 4.(9) The furnishing of consideration to any person for any advertising or publicity purpose of such person, except where appropriately classified to another account.
- J.(10) The guaranteeing of the maximum cost of electric utility service, except under published tariffs.

- (11) Labor items related to promotional practices: Labor: (Related to Promotional Practices)
- Salary of employees engaged directly or indirectly in promotional practices defined.
 - 2. Clerical and stenographic work performed in relation to promotional practices.
- 3. Fees paid to consultants, agents, attorneys, etc., on related promotional practices.
- (12) Materials and expenses related to promotional practices: Materials and Expenses: (Related to Promotional Practices)
 - 4.1. Amounts spent on postage, office supplies, displays, posters, exhibits, etc.

- 5.2. Films, movies, photographs prepared for promotional activities.
- 6.3. Expenses paid such as lodging, food, entertainment expenses.
- 7.4. Transportation by company auto or plane and public transportation of any mode.

426 Miscellaneous Income Deductions b. 426 Miscellaneous Income Deductions. Immediately following the current text and item list add the following:

- 7.(1) Promotional advertising expenses.
- 8.(2) Institutional or goodwill advertising expenses.
- 9.(3) Rate justification advertising expenses.

The following specific subaccount instructions pertain to items 4, 7, 8, and 9 listed above:

426.4 Political Advertising Expenses. c. 426.4 Political Advertising Expenses.

- A.(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising whether on a national, regional, or local basis, which are designed to influence public opinion with respect to the election or appointment of public officials or the adoption, repeal, revocation, or modification of referenda, legislation, or ordinances. The account shall also include expenditures for influencing the decisions of public officials, not including such expenditures, which as are directly related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations.
- B-(2) Entries relating to political advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily

available to staff, the consumer advocate, or any party involved in a discovery proceeding.

C:(3) Where political advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expenses for such advertising charged to any member or subsidiary which is an lowa electric utility and included in this account, shall be determined in accordance with the text of this account as set forth herein. in paragraph 16.2(8)"c."

- (4) Labor items related to political advertising: Labor: (Related to Political Advertising)
- 1. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting promotional motion pictures, radio, and television programs.
 - 2. Preparing booklets, bulletins, etc., used in direct mail.
 - 3. Preparing window and other displays.
 - 4. Clerical and stenographic work.
- 5. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
- (5) Material and expenses related to political advertising: Materials and Expenses: (Related to Political Advertising)
 - 6.1. Advertising in newspapers, periodicals, billboards, radio, etc.
 - 7.2. Advertising matters such as posters, bulletins, booklets, and related items.
 - 8.3. Fees and expenses of advertising agencies and commercial artists.
 - 9.4. Novelties for general distribution.

- 10.5. Postage on direct-mail advertising.
- <u>11.6.</u> Printing of booklets, dodgers, bulletins, etc.
- <u>12.7.</u> Supplies and expenses in preparing advertising materials.
- 13.8. Office supplies and expenses.

NOTE Note: Franchise advertising and related expenses shall be charged to account 913.5. See paragraph 16.2(8)"I" or FERC account 302.

426.7 Promotional Advertising Expenses d. 426.7 Promotional Advertising Expenses.

A-(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising designed to promote or retain the use of utility service, except (1) advertising the sale of merchandise, (2) load factor advertising, or (3) advertising which is part of a promotional practice, or a program which includes a promotional practice, designed to develop or implement programs that promote energy efficiency and are part of the utility's energy efficiency plan developed pursuant to 199 IAC 35 199—Chapter 35.

B-(2) Entries relating to promotional advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

C-(3) Where promotional advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expenses for such advertising charged to any member or subsidiary which is an

lowa electric utility and included in this account, shall be determined in accordance with the text of this account as set forth herein. in paragraph 16.2(8)"d."

- (4) Labor items related to promotional advertising: Labor: (Related to Promotional Advertising)
 - 1. Direct supervision of advertising activities.
- 2. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
 - 3. Preparing booklets, bulletins, etc., used in direct mail.
 - 4. Preparing window and other displays.
 - 5. Clerical and stenographic work.
- 6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
- (5) Materials and expenses related to promotional advertising: Materials and Expenses: (Related to Promotional Advertising)
 - 7.1. Advertising in newspapers, periodicals, billboards, radio, etc.
 - 8.2. Advertising matters such as posters, bulletins, booklets, and related items.
 - 9.3. Fees and expenses of advertising agencies and commercial artists.
 - <u>10.4.</u> Novelties for general distribution.
 - <u>11.5.</u> Postage on direct-mail advertising.
- <u>12.6.</u> Premiums distributed generally, such as recipe books, etc., when not offered as inducement to purchase appliances.
 - 43.7. Printing of booklets, dodgers, bulletins, etc.

14.8. Supplies and expenses in preparing advertising materials.

15.9. Office supplies and expenses.

NOTE A Note A: The cost of advertisements, which sets forth the value or advantages of utility service (without reference to specific appliances or if reference is made to appliances from dealers or refers to appliances not carried for sale by the utility), shall be considered sales promotion advertising and charged to this account. However, advertisements which are limited to specific makes of appliances sold by the utility and prices, terms, etc., thereof, without referring to the value or advantages of utility service, shall be considered as merchandise advertising, and the cost shall be charged to FERC account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work.

NOTE B Note B: Advertisements which substantially mention or refer to the value or advantages of utility service, together with specific reference to makes or appliances sold by the utility and the price, terms, etc., thereof, and designed for the joint purpose of increasing the use of utility service and the sales of appliances, shall be considered as a combination advertisement, and the costs shall be distributed between this account and <u>FERC</u> account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work, on the basis of space, time, or other proportional factors.

426.8 Institutional or Goodwill Advertising Expenses e. 426.8 Institutional or Goodwill Advertising Expenses.

- A.(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising which is designed to create, enhance, or sustain the utility's image or goodwill to the general public or its customers.
- B-(2) Entries relating to institutional or goodwill advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the-consumer advocate, or any party involved in a discovery proceeding.
- C.(3) Where institutional or goodwill advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is an lowa electric utility and included in this account, shall be determined in accordance with the text of this account as set forth herein.in paragraph 16.2(8)"e."

- (4) Labor items related to institutional or goodwill advertising: Labor: (Related to Institutional or Goodwill Advertising)
 - 1. Supervision of advertising activities.
- 2. Preparing material for newspapers, periodicals, billboards, etc., and preparing or conducting motion pictures, radio, and television programs.
 - Preparing booklets, bulletins, etc., used in direct mail.
 - 4. Preparing window and other displays.
 - 5. Clerical and stenographic work.

- 6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
- (5) Materials and expenses related to institutional or goodwill advertising:

 Materials and Expenses: (Related to Institutional or Goodwill Advertising)
 - 7.1. Advertising in newspapers, periodicals, billboards, radio, etc.
 - 8.2. Advertising matters such as posters, bulletins, booklets, and related items.
 - 9.3. Fees and expenses of advertising agencies and commercial artists.
 - 10.4. Postage on direct-mail advertising.
 - <u>41.5.</u> Printing of booklets, dodgers, bulletins, etc.
 - <u>12.6.</u> Supplies and expenses in preparing advertising materials.
 - 13.7. Office supplies and expenses.
 - 14.8. Novelties for general distribution.

Below are examples of the advertising to be included in this account:

- (a) Pronouncements primarily lauding the utility or the area or community it serves.
- (b) Advertising activities to inform the ratepayers of the social and economic advantages or status of the area or community it serves.
- (c) Advertising activities to inform the public of the utility's participation in programs to improve the economic condition of the area or community it serves.
- (d) Advertising activities to inform the public of the utility's role of good citizenship.
- (e) Information and routine data supplied by the utility to local governments, planning agencies, civic groups, businesses, and the general public which is not

inclusive in account 909.3, Informational Consumer Advertising Expenses. See paragraph 16.2(8)"i."

(f) ● Advertising activities to inform the public of the utility's consciousness of, or involvement in, health, safety, conservation, or environmental programs, except as included in accounts 909.1, 909.2, and 909.3.

426.9 Rate Justification Advertising Expenses <u>f. 426.9 Rate Justification</u> Advertising Expenses.

- A-(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising, whether on a regional or local basis, which is designed to promote public acceptance of utility rate increases or the utility's filed rates. The account shall also include all costs incurred by the utility for advertising in opposition to the decision of the regulatory agency. However, the expenses associated with simply informing customers that new rates have been requested shall be recorded in FERC account 928, Regulatory Commission Expenses.
- B-(2) Entries relating to rate justification advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate or any party involved in a discovery proceeding.
- C:(3) Where advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is an Iowa

electric utility and included in this account, shall be determined in accordance with the text of this account as set forth herein. in paragraph 16.2(8)"f."

- (4) Labor items related to rate justification advertising: Labor: (Related to Rate Justification Advertising)
- 1. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
 - 2. Preparing booklets, bulletins, etc., used in direct mail.
 - 3. Preparing window and other displays.
 - 4. Clerical and stenographic work.
- 5. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
- (5) Materials and expenses related to rate justification advertising: Materials and Expenses: (Related to Rate Justification Advertising)
 - 6.1. Advertising in newspapers, periodicals, billboards, radio, etc.
 - 7.2. Advertising matters such as posters, bulletins, booklets, and related items.
 - 8.3. Fees and expenses of advertising agencies and commercial artists.
 - 9.4. Postage on direct-mail advertising.
 - 40.5. Printing of booklets, dodgers, bulletins, etc.
 - 41.6. Supplies and expenses in preparing advertising materials.
 - 12.7. Office supplies and expenses.
- **909.1 Conservation Advertising Expenses.** g. 909.1 Conservation Advertising Expenses.

- A.(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising activities which primarily inform the customer of the reasons for and methods whereby energy may be conserved and energy consumption reduced by the consumer. Include in this account advertising activity relating to the electric utility which is related directly to company's provision of service to the customer during energy, fuel, and related shortages.
- B.(2) Entries relating to conservation advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.
- C.(3) Where conservation advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is an Iowa electric utility and included in this account, shall be determined in accordance with the text of this account as set forth herein. in paragraph 16.2(8)"g."

- (4) Labor items related to conservation advertising: Labor: (Related to Conservation Advertising)
 - 1. Direct supervision of advertising activities.
- 2. Preparation of materials for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
 - 3. Preparation of booklets, bulletins, etc., used in direct mail.

- 4. Preparation of window and other displays.
- 5. Clerical and stenographic work.
- 6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
- (5) Material and expenses related to conservation advertising: Materials and Expenses: (Related to Conservation Advertising)
 - 7.1. Advertising in newspapers, periodicals, billboards, radio, etc.
 - 8.2. Fees and expenses of advertising agencies and commercial artists.
 - 9.3. Postage on direct-mail advertising.
 - <u>10.4.</u> Printing of booklets, dodgers, bulletins, etc.
 - 11.5. Supplies and expenses in preparing advertising materials.
 - 12.6. Office supplies and expenses.
 - <u>13.7.</u> Novelties for general distribution.

Below are examples of the advertising to be included in this account:

- (a) Instructions in the proper use of equipment owned by the utility or the customer, which will result in less consumption of energy.
- (b) Advertising designed to convince consumers to turn down thermostats, turn off lights when not in use, and turn off appliances, television sets, etc., when not in use.

909.2 Environmental Advertising Expenses h. 909.2 Environmental Advertising Expenses.

A.(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising activities which primarily are designed to inform the public

concerning the methods by which customers can participate with the utility in preserving and improving the environment. However, advertising which is primarily designed to laud the utility's achievements or projects purporting to preserve or enhance the environment, shall be recorded in account 426 (subaccount 8). 426.8, See paragraph 16.2(8)"e."

- B-(2) Entries relating to environmental advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate or any party involved in a discovery proceeding.
- C-(3) Where environmental advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expenses for such advertising charged to any member or subsidiary which is an lowa electric utility and included in this account, shall be determined in accordance with the text of this account as set forth herein. in paragraph 16.2(8)"h."

- (4) Labor items related to environmental advertising: Labor: (Related to Environmental Advertising)
 - 1. Direct supervision of advertising activities.
- 2. Preparation of materials for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
 - Preparation of booklets, bulletins, etc., used in direct mail.
 - 4. Preparation of window and other displays.

- 5. Clerical and stenographic work.
- 6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
- (5) Material and expenses related to environmental advertising: Materials and Expenses: (Related to Environmental Advertising)
 - 7.1. Advertising in newspapers, periodicals, billboards, etc.
 - 8.2. Fees and expenses of advertising agencies and commercial artists.
 - 9.3. Postage on direct-mail advertising.
 - <u>10.4.</u> Printing of booklets, dodgers, bulletins, etc.
 - 41.5. Supplies and expenses in preparing advertising materials.
 - 12.6. Office supplies and expenses.
 - 13.7. Novelties for general distribution.

909.3 Informational Consumer Advertising Expenses. i. 909.3 Informational Consumer Advertising Expenses.

- A.(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising activities which primarily convey information as to what the utility urges or suggests customers should do in utilizing electric service to protect their health and safety, <u>and</u> to utilize their electric equipment safely and economically.
- B.(2) Entries relating to informational advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall

be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

G:(3) Where informational advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is an Iowa electric utility and included in this account, shall be determined in accordance with the text of this account as set forth herein. in paragraph 16.2(8)"i."

- (4) Labor items related to informational consumer advertising: Labor: (Related to Informational Consumer Advertising)
 - 1. Direct supervision of advertising activities.
- 2. Preparing materials for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
 - Preparing booklets, bulletins, etc., used in direct mail.
 - 4. Preparing window and other displays.
 - 5. Clerical and stenographic work.
- 6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
- (5) Materials and expenses related to informational consumer advertising:

 Materials and Expenses: (Related to Informational Consumer Advertising)
 - 7.1. Advertising in newspapers, periodicals, billboards, radio, etc.
 - 8.2. Fees and expenses of advertising agencies and commercial artists.
 - 9.3. Postage on direct-mail advertising.

- 10.4. Printing of booklets, dodgers, bulletins, etc.
- <u>41.5.</u> Supplies and expenses in preparing advertising materials.
- 12.6. Office supplies and expenses.
- 13.7. Novelties for general distribution.

Below are examples of the advertising to be included in this account:

- (a) Instructions in the proper use of equipment owned by the utility or the customer which make use of the utility's service.
- (b) Information as to new rates, billing practices, new inspection, or meter-reading schedules.
- (c) Notification of emergency conditions and procedures to be followed during the emergency.
 - (d) Advice concerning hazards associated with the utility's electric service.

NOTE: (6) Exclude from this account and charge to FERC account 930 930.2, Miscellaneous General Expenses, the cost of publication of stockholder reports, dividend notices, bond redemption notices, financial statements, and other notices of a general corporate character. Also, exclude all expenses of promotional, institutional, or goodwill, and political advertising. (See account 426.7, Promotional Advertising Expenses; account 426.8, Institutional or Goodwill Advertising Expenses; and account 426.4, Political Advertising Expenses. See paragraphs

16.2(8)"c," 16.2(8)"d," and 16.2(8)"e," which refer to accounts 426.4, Political Advertising Expenses, and 426.8, Institutional or Goodwill Advertising Expenses, and 426.8, Institutional or Goodwill Advertising Expenses, respectively.

Advertising expense directly related to obtaining a franchise or renewing an old franchise shall be charged to <u>FERC</u> account 302, Franchise and Consents. Such amounts shall be maintained in a separate subaccount for ready identification.

Advertising expense directly related to securing of new debt financing shall be charged to <u>FERC</u> account 181, Unamortized Debt Discount and Expense. Such amounts shall be maintained in a separate subaccount for ready identification.

Advertising expense directly related to securing of new equity financing shall be charged to <u>FERC</u> account 214, Capital Stock Expense. Such amounts shall be maintained in a separate subaccount for ready identification.

909.4 Load Factor Advertising Expenses j. 909.4 Load Factor Advertising Expenses

- A.(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising activities designed to improve load factor so that plant and equipment already installed can be operated more efficiently and to a greater degree of capability, thereby resulting in lower overall costs to the consumer.
- B.(2) This shall include advertising expenditures which are designed to further industrial and commercial development of the company's service area.
- C.(3) Entries relating to load factor advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

D-(4) Where load factor advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is an Iowa electric utility and included in this account, shall be determined in accordance with the text of this account as set forth herein. paragraph 16.2(8)"j."

- (5) Labor items relating to load factor advertising: Labor: (Relating to Load Factor Advertising)
 - 1. Direct supervision of advertising activities.
- 2. Preparation of advertising materials for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
 - 3. Preparation of booklets, bulletins, etc., used in direct mail.
 - 4. Preparation of window and other displays.
 - 5. Clerical and stenographic work.
- 6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
- (6) Materials and expenses related to load factor advertising: Materials and Expenses: (Related to Load Factor Advertising)
 - 7.1. Advertising in newspapers, periodicals, billboards, radio, etc.
 - 8.2. Fees and expenses of advertising agencies and commercial artists.
 - 9.3. Postage on direct-mail advertising.
 - <u>40.4.</u> Printing of booklets, dodgers, bulletins, etc.
 - <u>41.5.</u> Supplies and expenses in preparing advertising materials.

- 12.6. Office supplies and expenses.
- <u>13.7.</u> Novelties for general distribution.

Below is an example of the advertising to be included in this account:

(a) Encouragement for manufacturers to go to night operations.

913 Advertising Expenses k. Advertising Expenses—FERC Account 913.

Delete the entire current text of this account <u>FERC account 913</u> and add the following subaccount: <u>913.5</u>, franchise advertising expenses.

913.5 Franchise Advertising Expenses

- A.(1) This account shall include only reasonable advertising expenditures for the purpose of obtaining approval, modification, or revocation of franchises.
- B-(2) Entries relating to reasonable franchise advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising matter shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

- (3) Labor items related to franchise advertising: Labor: (Related to Franchise Advertising)
- 1. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
 - 2. Preparing booklets, bulletins, etc., used in direct mail.
 - 3. Preparing window and other displays.
 - 4. Clerical and stenographic work.

- 5. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
- (4) Materials and expenses related to franchise advertising: Materials and Expenses: (Related to Franchise Advertising)
 - 6.1. Advertising in newspapers, periodicals, billboards, radio, etc.
 - 7.2. Advertising matters such as posters, bulletins, booklets, and related items.
 - 8.3. Fees and expenses of advertising agencies and commercial artists.
 - 9.4. Novelties for general distribution.
 - 10.5. Postage on direct-mail advertising.
 - <u>11.6.</u> Printing of booklets, bulletins, etc.
 - 12.7. Supplies and expenses in preparing advertising materials.
 - 13.8. Office supplies and expenses.

930 Miscellaneous General Expenses <u>I. 930 Miscellaneous Expenses—FERC</u> Account 930.2.

Delete the current Item No. 12 of this account and renumber the current Item No. 13 to become Item No. 12.

- **16.2(9)** Accounts FERC accounts 421.1 or 421.2 as they are defined and exist in the uniform system systems of accounts, shall be used to account for the gain or loss on the sale, conveyance, exchange, or transfer of utility or other property, including land and land rights, unless otherwise authorized or required by the Board board for good cause shown.
- **16.2(10)** Account FERC account 105 of the uniform systems of accounts Section 18 CFR Part 101 is modified in subparagraph "D" by deleting the following language:

"in accounts 411.6 or 411.7, as appropriate except when determined to be significant by the Board board. Upon such a determination, the amounts shall be transferred to account 256, Deferred Gains from Disposition of Utility Plant, or account 187, Deferred Losses from Disposition of Utility Plant, and amortized to accounts 411.6, Gains from Disposition of Utility Plant, or 411.7, Losses from Disposition of Utility Plant, as appropriate" and substituting in lieu thereof: "in accounts 421.1 or 421.2, as appropriate unless otherwise authorized or required by the board for good cause shown."

Item 3. Amend rule 199—16.3(476) as follows:

199—16.3(476) Uniform systems of accounts—gas. The uniform systems of accounts for natural gas companies subject to the provisions of the Natural Gas Act, Parts 18 CFR Part 201 and 204 published in the Federal Energy Regulatory Commission's rules and regulations, in effect on May 29, 1974, together with amendments thereto issued through February 2, 1977, are April 1, 2002, is adopted with the following modifications:

16.3(1) Definition 7 is changed to read: "Commission," "Commission" means the lowa state utilities board except where reference is made to the authority of the Federal Energy Regulatory Commission (FERC) under the Natural Gas Act and where the lowa state utilities board does not have the same or similar authority under lowa Code chapter 476, where "Commission" shall mean Federal Energy Regulatory Commission." FERC.

- **16.3(2)** Definition <u>19 22</u> is changed to read: <u>"'Natural gas company,' "Natural gas company"</u> means a person furnishing gas by piped distribution system to the public for compensation.<u>"</u>
- 16.3(3) General instruction 1-A of the uniform systems of accounts for gas utilities is changed for Class D gas utilities to read: "Utilities having annual gas operating revenues of less than \$150,000.00."
 - **16.3(4)** No change.
- **16.3(5)** General instruction 1-D of the uniform systems of accounts for gas utilities is modified by adding the following sentence: "It is recommended but not required that gas utilities not subject to rate regulation keep all applicable accounts as recommended for Class A, B, C and D gas utilities in accordance with the FERC uniform systems of accounts 18 CFR Part 201."
 - **16.3(6)** No change.
- **16.3(7)** The definitions for the uniform systems of accounts for gas utilities, when used in account 424, "Promotional Practices," are modified to include the following definitions:
- 50.a. The word "affiliate" shall mean any person doing business in this State state who directly or indirectly controls or is controlled by or is under common control with, a public utility.
- 51.b. The words "appliance" or "equipment" shall mean any device, including a fixture, which consumes electric energy and any ancillary device required for its operation.

<u>52.c.</u> The word "*consideration*" shall mean any cash, donation, gift, allowance, rebate, bonds, merchandise (new or used), property (tangible or intangible), labor, service conveyance, commitment, right, or other thing of value.

53.d. The word "financing" shall include acquisition of equity or debt interests, loans, guarantee of loans, advances, sale and repurchase agreements, sale and lease-back agreements, sales on open account, conditional or installment sales contracts, or other investment or extensions of credit.

54.e. The word "person" shall include any individual, architect, builder, engineer, subdivider, developer, dealer, group, firm, partnership, corporation, cooperative, association, or other organization, but not including state or local political subdivisions or municipal corporations.

55.<u>f.</u> The words "*public utility*" or "*utility*" shall include persons defined to be public utilities in Iowa Code section 476.1.

56.g. The words "promotional practices" shall mean any consideration offered or granted by a public utility or its affiliate to any person for the purpose, express or implied, of inducing such person to select or use the service or additional service of such utility, or to select or install any appliance or equipment designed to use such utility service; provided that the words "promotional practices" shall not include the following activities:

(a)(1) Providing repairs and service to appliances or equipment of customers of a public utility in an emergency or to restore service or to prevent hazardous conditions or service interruptions.

(b)(2) Inspection and adjustment of appliances or equipment by a public utility.

- (c)(3) Repairs and other maintenance to appliances or equipment by a public utility that could be performed by an independent appliance dealer or service shop if charges are at cost or above.
- (d)(4) Providing service, wiring, piping, appliances, or equipment in accordance with tariffs, rules, or regulations of a public utility on file with and approved by the board.
- (e)(5) Providing appliances, equipment, or instructional services to an educational institution for the purpose of instructing students in the use or repair of such appliances or equipment.
- (f)(6) Providing discounts or financing to employees of a public utility to encourage their use of the utility's service.
- (g)(7) Merchandising and related inventory of appliances or equipment for sale at retail and making and fulfilling reasonable warranties against defects in material and workmanship in appliances or equipment existing at the time of delivery; the elimination of hazardous conditions which due to a grandfather provision would not be corrected by the customer and yet would require correction to protect the public and minimize company liability.
- (h)(8) The replacement of or alterations to a customer's obsolete or inefficient system.
- (i)(9) Technical, informational, or educational assistance offered to persons on the use of energy furnished by a public utility or on the use or maintenance of appliances or equipment.

- (j)(10) Lunches, gifts, door prizes, etc., presented for attendance at informational meetings, conferences, etc., valued at \$10 or less shall not be considered to be a promotional practice.
- (k)(11) Providing appliances or equipment incidental to exhibitions, demonstrations, tests, or experiments of reasonable duration.
- (I)(12) Any promotional practice, or program which includes a promotional practice, designed to develop or implement programs that promote energy efficiency.
- **16.3(8)** The uniform systems of accounts for gas utilities are modified to include the following:
- **424 Promotional practices** <u>a. 424 Promotional Practices.</u> This account shall include the cost of labor, materials used, and expenses or losses incurred by the utility or an affiliate (where such costs are charged back to the company) on promotional practices. Promotional practices, or programs which include promotional practices, and the labor, materials, and expenses related to promotional practices, which are exempted by subrule 16.7(2) need not be included in this account. The account shall include, but not be limited to, the following items:
- A.(1) The financing of land or the construction of any building when the same is not owned or otherwise possessed by the utility or its affiliate without Board board written approval.
- B-(2) The furnishing of consideration to any person for work done or to be done on property not owned or otherwise possessed by the utility or its affiliate, except for the following: Studies to determine comparative capital or operating costs and

expenses, or to show the desirability and feasibility of selecting one form of energy over another, contributions for research and development of new energy sources, etc.

- C.(3) The acquisition from any person of any tangible or intangible property or service for a consideration in excess of the value thereof or the furnishing to any person of any tangible property or service for a consideration of less than the value thereof. "Value" in this instance is defined as the fair market price of the property or service under competitive market conditions and under arm's length conditions.
- D.(4) The furnishing of consideration to any person for the sale, installation, or use of appliances or equipment of one form of energy over another. Employees who are paid a commission in lieu of salary for the initial sale of appliances are exempted.
- E.(5) The provision of free, or at less than cost or value, wiring, piping, appliances, or equipment to any person; provided that a utility, engaged in an appliance merchandising sales program, shall not be precluded from conducting legitimate closeouts of appliances, clearance sales, or sales of damaged or returned appliances. All items required by service rules of this Board board are exempted.
- F.(6) The provision of free, or at less than cost or value, installation, operation, repair, modification, or maintenance of appliances, equipment, wiring or piping to any person. This would not include services provided for the convenience and safety of customers such as gas leak testing, lighting of furnaces, etc.
- G.(7) The granting of a trade-in allowance on the purchase of any appliance or equipment in excess of the reasonable value of the trade-in based on the past

experience of a company or the granting of a trade-in allowance for such appliance or equipment when such allowance varies by the type of energy consumed in the trade-in.

- H.(8) The financing of the acquisition of any appliance or equipment at a rate of interest or on terms significantly more favorable than those generally applicable to sales by nonutility dealers in such appliances or equipment.
- 1.(9) The furnishing of consideration to any person for any advertising or publicity purpose of such person, except where appropriately classified to another account.
- J.(10) The guaranteeing of the maximum cost of gas utility service, except under published tariffs.

- (11) Labor items related to promotional practices: Labor: (Related to Promotional Practices)
- Salary of employees engaged directly or indirectly in promotional practices defined.
 - 2. Clerical and stenographic work performed in relation to promotional practices.
- 3. Fees paid to consultants, agents, attorneys, etc., on related promotional practices.
- (12) Materials and expenses related to promotional practices: Materials and Expenses: (Related to Promotional Practices)
 - 4.1. Amounts spent on postage, office supplies, displays, posters, exhibits, etc.
 - 5.2. Films, movies, photographs prepared for promotional activities.
 - 6.3. Expenses paid such as lodging, food, entertainment expenses.

7.4. Transportation by company auto or plane and public transportation of any mode.

<u>426 Miscellaneous Income Deductions.</u> <u>b. 426 Miscellaneous Income</u>

<u>Deductions.</u> Immediately following the current text and item list add the following:

- 7.(1) Promotional advertising expenses.
- 8.(2) Institutional or goodwill advertising expenses.
- 9.(3) Rate justification advertising expenses.

The following specific subaccount instructions pertain to items 4, 7, 8 and 9 listed above:

426.4 Political Advertising Expenses. c. 426.4 Political Advertising Expenses.

A-(1) Account 426.4 pertains to items in subparagraph 16.3(8)"a"(12)"1" and paragraph 16.3(8)"b" listed above. This account shall include the cost of labor, materials used, and expenses incurred in advertising, whether on a national, regional, or local basis, which are designed to influence public opinion with respect to the election or appointment of public officials or the adoption, repeal, revocation, or modification of referenda, legislation, or ordinances. The account shall also include expenditures for influencing the decisions of public officials not including such expenditures which are directly related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations.

B.(2) Entries relating to political advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If

references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

C:(3) Where political advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expenses for such advertising charged to any member or subsidiary which is an lowa gas utility and included in this account, shall be determined in accordance with the text of this account as set forth herein. in paragraph 16.3(8)"c."

- (4) Labor items related to political advertising: Labor: (Related to Political Advertising)
- 1. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting promotional motion pictures, radio, and television programs.
 - 2. Preparing booklets, bulletins, etc., used in direct mail.
 - 3. Preparing window and other displays.
 - 4. Clerical and stenographic work.
- 5. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
- (5) Material and expenses related to political advertising: Materials and Expenses: (Related to Political Advertising)
 - 6.1. Advertising in newspapers, periodicals, billboards, radio, etc.
 - 7.2. Advertising matters such as posters, bulletins, booklets, and related items.
 - 8.3. Fees and expenses of advertising agencies and commercial artists.

- 9.4. Novelties for general distribution.
- 10.5. Postage on direct-mail advertising.
- 11.6. Printing of booklets, dodgers, bulletins, etc.
- 12.7. Supplies and expenses in preparing advertising materials.
- 13.8. Office supplies and expenses.

NOTE NOTE: Franchise advertising and related expenses shall be charged to account 913.5 shown in paragraph 16.3(8)"J" or FERC account 302.

426.7 Promotional Advertising Expenses <u>d.</u> 426.7 Promotional Advertising Expenses

A.(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising designed to promote or retain the use of utility service, except (1) advertising the sale of merchandise, (2) load factor advertising, or (3) advertising which is part of a promotional practice, or a program which includes a promotional practice, designed to develop or implement programs that promote energy efficiency and are part of the utility's energy efficiency plan developed pursuant to 199 IAC 35 199—Chapter 35.

B-(2) Entries relating to promotional advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

C.(3) Where promotional advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of

expenses for such advertising charged to any member or subsidiary which is an lowa gas utility and included in this account, shall be determined in accordance with the text of this account as set forth herein: in paragraph 16.3(8)"d."

- (4) Labor items related to promotional advertising: Labor: (Related to Promotional Advertising)
 - 1. Direct supervision of advertising activities.
- 2. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
 - 3. Preparing booklets, bulletins, etc., used in direct mail.
 - 4. Preparing window and other displays.
 - 5. Clerical and stenographic work.
- 6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
- (5) Material and expenses related to promotional advertising: Materials and Expenses: (Related to Promotional Advertising)
 - 7.1. Advertising in newspapers, periodicals, billboards, radio, etc.
 - 8.2. Advertising matters such as posters, bulletins, booklets, and related items.
 - 9.3. Fees and expenses of advertising agencies and commercial artists.
 - <u>10.4.</u> Novelties for general distribution.
 - <u>11.5.</u> Postage on direct-mail advertising.
- <u>12.6.</u> Premiums distributed generally, such as recipe books, etc., when not offered as inducement to purchase appliances.

- 13.7. Printing of booklets, dodgers, bulletins, etc.
- 14.8. Supplies and expenses in preparing advertising materials.
- 15.9. Office supplies and expenses.

NOTE A NOTE A: The cost of advertisements, which sets set forth the value or advantages of utility service (without reference to specific appliances or if reference is made to appliances from dealers or refers to appliances not carried for sale by the utility), shall be considered sales promotion advertising and charged to this account. However, advertisements which are limited to specific makes of appliances sold by the utility and prices, terms, etc., thereof, without referring to the value or advantages of utility service, shall be considered as merchandise advertising, and the cost shall be charged to account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work.

NOTE B NOTE B: Advertisements which substantially mention or refer to the value or advantages of utility service, together with specific reference to makes or appliances sold by the utility and the price, terms, etc., thereof, and designed for the joint purpose of increasing the use of utility service and the sales of appliances, shall be considered as a combination advertisement, and the costs shall be distributed between this account and account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work, on the basis of space, time, or other proportional factors.

<u>426.8 Institutional or Goodwill Advertising Expenses</u> <u>e. 426.8 Institutional or Goodwill Advertising Expenses</u>.

- A.(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising which is designed to create, enhance, or sustain the utility's image or goodwill to the general public or its customers.
- B-(2) Entries relating to institutional or goodwill advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.
- C₋(3) Where institutional or goodwill advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is an lowa gas utility and included in this account, shall be determined in accordance with the text of this account as set forth herein: in paragraph 16.3(8)"e."

- (4) Labor items related to institutional goodwill advertising: Labor: (Related to Institutional or Goodwill Advertising)
 - 1. Supervision of advertising activities.
- 2. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
 - Preparing booklets, bulletins, etc., used in direct mail.
 - Preparing window and other displays.
 - Clerical and stenographic work.

- 6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
- (5) Materials and expenses related to institutional goodwill advertising: Materials and Expenses: (Related to Institutional or Goodwill Advertising)
 - 7.1. Advertising in newspapers, periodicals, billboards, radio, etc.
 - 8.2. Advertising matters such as posters, bulletins, booklets, and related items.
 - 9.3. Fees and expenses of advertising agencies and commercial artists.
 - 10.4. Postage on direct-mail advertising.
 - <u>41.5.</u> Printing of booklets, dodgers, bulletins, etc.
 - 12.6. Supplies and expenses in preparing advertising materials.
 - 13.7. Office supplies and expenses.
 - 14.8. Novelties for general distribution.

Below are examples of the advertising to be included in this account:

- (a) Pronouncements primarily lauding the utility or the area or community it serves.
- (b) Advertising activities to inform the ratepayers of the social and economic advantages or status of the area or community it serves.
- (c) Advertising activities to inform the public of the utility's participation in programs to improve the economic condition of the area or community it the utility serves.
- (d) Advertising activities to inform the public of the utility's role of good citizenship.

- (e) Information and routine data supplied by the utility to local governments, planning agencies, civic groups, businesses, and the general public which is are not inclusive in account 909.3, Informational Consumer Advertising Expenses. See paragraph 16.3(8)"i."
- (f) Advertising activities to inform the public of the utility's consciousness of, or involvement in, health, safety, conservation, or environmental programs, except as included in accounts 909.1, 909.2 and 909.3. See paragraphs 16.3(8)"g," 16.3(8)"h," and 16.3(8)"i," respectively.

426.9 Rate Justification Advertising Expenses f. 426.9 Rate Justification Advertising Expenses.

- A-(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising, whether on a regional or local basis, which is designed to promote public acceptance of utility rate increases or the utility's filed rates. The account shall also include all costs incurred by the utility for advertising in opposition to the decision of the regulatory agency. However, the expenses associated with simply informing customers that new rates have been requested shall be recorded in FERC account 928, Regulatory Commission Expenses.
- B-(2) Entries relating to rate justification advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

C-(3) Where advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is an Iowa gas utility and included in this account, shall be determined in accordance with the text of this account as set forth herein. in paragraph 16.3(8)"f."

- (4) Labor items related to rate justification advertising: Labor: (Related to Rate Justification Advertising)
- 1. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
 - 2. Preparing booklets, bulletins, etc., used in direct mail.
 - 3. Preparing window and other displays.
 - 4. Clerical and stenographic work.
- 5. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
- (5) Materials and expenses related to rate justification advertising: Materials and Expenses: (Related to Rate Justification Advertising)
 - 6.1. Advertising in newspapers, periodicals, billboards, radio, etc.
 - 7.2. Advertising matters such as posters, bulletins, booklets, and related items.
 - 8.3. Fees and expenses of advertising agencies and commercial artists.
 - 9.4. Postage on direct-mail advertising.
 - 40.5. Printing of booklets, dodgers, bulletins, etc.
 - <u>41.6.</u> Supplies and expenses in preparing advertising materials.

12.7. Office supplies and expenses.

909.1 Conservation Advertising Expenses g. 909.1 Conservation Advertising Expenses.

- A.(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising activities which primarily inform the customer of the reasons for and methods whereby energy may be conserved and energy consumption reduced by the consumer. Include in this account advertising activity relating to the gas utility, which is related directly to company's provision of service to the customer during energy, fuel, and related shortages.
- B-(2) Entries relating to conservation advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.
- C-(3) Where conservation advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is an Iowa gas utility and included in this account, shall be determined in accordance with the text of this account as set forth herein. in paragraph 16.3(8)"g."

- (4) Labor items related to conservation advertising: Labor: (Related to Conservation Advertising)
 - 1. Direct supervision of advertising activities.

- 2. Preparation of materials for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
 - 3. Preparation of booklets, bulletins, etc., used in direct mail.
 - 4. Preparation of window and other displays.
 - 5. Clerical and stenographic work.
- 6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
- (5) Materials and expenses related to conservation advertising: Materials and Expenses: (Related to Conservation Advertising)
 - 7.1. Advertising in newspapers, periodicals, billboards, radio, etc.
 - 8.2. Fees and expenses of advertising agencies and commercial artists.
 - 9.3. Postage on direct-mail advertising.
 - <u>10.4.</u> Printing of booklets, dodgers, bulletins, etc.
 - <u>41.5.</u> Supplies and expenses in preparing advertising materials.
 - 12.6. Office supplies and expenses.
 - 13.7. Novelties for general distribution.

Below are examples of the advertising to be included in this account:

- (a) Instructions in the proper use of equipment owned by the utility or the customer which will result in less consumption of energy.
- (b) Advertising designed to convince consumers to turn down thermostats, turn off appliances, etc., when not in use.
- **909.2** Environmental Advertising Expenses h. 909.2 Environmental Advertising Expenses.

- A-(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising activities which primarily are designed to inform the public concerning the methods by which customers can participate with the utility in preserving and improving the environment. However, advertising which is primarily designed to laud the utility's achievements or projects purporting to preserve or enhance the environment shall be recorded in account 426 (subaccount 8). 426.8. See paragraph 16.2(3)"e."
- B.(2) Entries relating to environmental advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.
- C-(3) Where environmental advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expenses for such advertising charged to any member or subsidiary which is an lowa gas utility and included in this account shall be determined in accordance with the text of this account as set forth herein. in paragraph 16.3(8)"h."

- (4) Labor items related to environmental advertising: Labor: (Related to Environmental Advertising)
 - 1. Direct supervision of advertising activities.
- 2. Preparation of materials for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.

- 3. Preparation of booklets, bulletins, etc., used in direct mail.
- 4. Preparation of window and other displays.
- 5. Clerical and stenographic work.
- 6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
- (5) Materials and expenses related to environmental advertising: Materials and Expenses: (Related to Environmental Advertising)
 - 7.1. Advertising in newspapers, periodicals, billboards, etc.
 - 8.2. Fees and expenses of advertising agencies and commercial artists.
 - 9.3. Postage on direct-mail advertising.
 - 10.4. Printing of booklets, dodgers, bulletins, etc.
 - 41.5. Supplies and expenses in preparing advertising materials.
 - 12.6. Office supplies and expenses.
 - 13.7. Novelties for general distribution.

909.3 Informational Consumer Advertising Expenses i. 909.3 Informational Consumer Advertising Expenses.

- A.(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising activities which primarily convey information as to what the utility urges or suggests customers should do in utilizing gas service to protect their health and safety, and to utilize their gas equipment safely and economically.
- B-(2) Entries relating to informational advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall

be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

C.(3) Where informational advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is an Iowa gas utility and included in this account shall be determined in accordance with the text of this account as set forth herein. In paragraph 16.3(8)"i."

- (4) Labor items related to informational consumer advertising: Labor: (Related to Informational Consumer Advertising)
 - 1. Direct supervision of advertising activities.
- 2. Preparing materials for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
 - Preparing booklets, bulletins, etc., used in direct mail.
 - 4. Preparing window and other displays.
 - 5. Clerical and stenographic work.
- 6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
- (5) Materials and expenses related to informational consumer advertising:

 Materials and Expenses: (Related to Informational Consumer Advertising)
 - 7.1. Advertising in newspapers, periodicals, billboards, radio, etc.
 - 8-2. Fees and expenses of advertising agencies and commercial artists.
 - 9.3. Postage on direct-mail advertising.

- 10.4. Printing of booklets, dodgers, bulletins, etc.
- <u>41.5.</u> Supplies and expenses in preparing advertising materials.
- 12.6. Office supplies and expenses.
- 13.7. Novelties for general distribution.

Below are examples of the advertising to be included in this account:

- (a) Instructions in the proper use of equipment owned by the utility or the customer which makes use of the utility's service.
- (b) Information as to new rates, billing practices, new inspection, or meter-reading schedules.
- (c) Notification of emergency conditions and procedures to be followed during the emergency.
 - (d) Advice concerning hazards associated with the utility's gas service.
- NOTE: (6) Exclude from this account and charge to FERC account 930 930.2, Miscellaneous General Expenses, the cost of publication of stockholder reports, dividend notices, bond redemption notices, financial statements, and other notices of a general corporate character. Also, exclude all expenses of promotional, institutional, or goodwill, and political advertising. (See account 426.7, Promotional Advertising Expenses; account 426.8, Institutional or Goodwill Advertising Expenses; and account 426.4, Political Advertising Expenses See paragraphs

 16.3(8)"c," 16.3(8)"d," and 16.3(8)"e," which refer to accounts 426.4, Political Advertising Expenses, and 426.8, Institutional or Goodwill Advertising Expenses, and 426.8, Institutional or Goodwill Advertising Expenses, respectively.

Advertising expense directly related to obtaining a franchise or renewing an old franchise shall be charged to <u>FERC</u> account 302, Franchise and Consents. Such amounts shall be maintained in a separate subaccount for ready identification.

Advertising expense directly related to securing of new debt financing shall be charged to <u>FERC</u> account 181, Unamortized Debt Discount and Expense. Such amounts shall be maintained in a separate subaccount for ready identification.

Advertising expense directly related to securing of new equity financing shall be charged to <u>FERC</u> account 214, Capital Stock Expense. Such amounts shall be maintained in a separate subaccount for ready identification.

913 Advertising Expenses

Delete the entire current text of this account and add the following subaccount:

913.5 Franchise Advertising Expenses j. Franchise Advertising Expenses,

FERC Account 913.5

- A. (1) This account shall include only reasonable advertising expenditures for the purpose of obtaining approval, modification, or revocation of franchises.
- B. (2) Entries relating to reasonable franchise advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising matter shall be readily available to staff,-the consumer advocate, or any party involved in a discovery proceeding.

ITEMS

(3) Labor items related to franchise advertising: Labor: (Related to Franchise Advertising)

- 1. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
 - 2. Preparing booklets, bulletins, etc., used in direct mail.
 - 3. Preparing window and other displays.
 - 4. Clerical and stenographic work.
- 5. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
- (4) Materials and expenses related to franchise advertising: Materials and Expenses: (Related to Franchise Advertising)
 - 6.1. Advertising in newspapers, periodicals, billboards, radio, etc.
 - 7.2. Advertising matters such as posters, bulletins, booklets, and related items.
 - 8.3. Fees and expenses of advertising agencies and commercial artists.
 - 9.4. Novelties for general distribution.
 - 10.5. Postage on direct-mail advertising.
 - <u>11.6.</u> Printing of booklets, bulletins, etc.
 - 12.7. Supplies and expenses in preparing advertising materials.
 - 13.8. Office supplies and expenses.
 - k. Miscellaneous General Expenses. FERC Account 930.2.

Delete the current Item No. 12 of this account and renumber the current Item No. 13 to become Item No. 12.

16.3(9) Accounts <u>FERC accounts</u> 421.1 or 421.2 as they are defined and exist in the uniform <u>system systems</u> of accounts, shall be used to account for the gain or loss on the sale, conveyance, exchange, or transfer of utility or other property,

including land and land rights, unless otherwise authorized or required by the board for good cause shown.

16.3(10) Accounts FERC accounts 105 and 105.1 of the uniform system systems of accounts Section 18 CFR Part 201 are modified in subparagraph "D" by deleting the following language: "in FERC account 411.6 or 411.7, as appropriate except when determined to be significant by the Board board. Upon such a determination, the amounts shall be transferred to FERC account 256, Deferred Gains from Disposition of Utility Plant, or FERC account 187, Deferred Losses from Disposition of Utility Plant, and amortized to accounts FERC account 411.6, Gains from Disposition of Utility Plant, or FERC account 411.7, Losses from Disposition of Utility Plant, as appropriate" and substituting in lieu thereof: "in accounts FERC account 421.1 or 421.2, as appropriate, unless otherwise authorized or required by the board for good cause shown."

These rules are intended to implement lowa Code sections 476.1, 476.2, 476.8 and 476.9.

Item 4. Amend rule 199—16.4(476) as follows:

199—16.4(476) Uniform systems of accounts—water. The 1973 1996 uniform systems of accounts for Class A, B, C, and D A, B, and C water utilities published by the National Association of Regulatory Utility Commissioners (NARUC) uniform systems of accounts are adopted with the following modifications:

16.4(1) General instruction 2-D of the Accounting instruction 2-D of the NARUC uniform systems of accounts for water utilities is modified by adding the sentence:

"This shall not prohibit water utilities from using such additional accounts as they are

required or permitted to keep for their reporting to other regulatory authorities or to their stockholders, providing the board is notified of the nature, amount, and purpose of such accounts in the annual report to the board and at such other times as may be requested by the board."

- **16.4(2)** Account 422 414, as defined and existing in the <u>NARUC</u> uniform system systems of accounts 414.A, shall be used to account for the gain or loss on the sale, conveyance, exchange, or transfer of utility or other property to another, unless otherwise authorized or required by the board for good cause shown.
 - Item 5. Amend rule 199—18.1(476) as follows:
- **199—18.1(476) Definitions.** The following words and terms, when used in these rules this chapter, shall have the meaning meanings shown below:
- a. "FPC FERC rules" are the rules and regulations of the Federal Energy Regulatory Commission under the Federal Power Act and Natural Gas Act as published in the Code of Federal Regulations (CFR).
- b. "FCC rules" are the rules and regulations of the Federal Communications

 Commission under the Communications Act of 1934 as published in the Code of

 Federal Regulations (CFR) CFR.
- e. "NARUC rules guidelines" are the rules and regulations guidelines published by the National Association of Regulatory Utility Commissioners.
- d. "REA RUS rules" are the rules and regulations of the Rural Electrification

 Administration Utilities Service (RUS), 7 CFR Part 1767, of the United States

 Department of Agriculture applicable to electric and telephone borrowers of the REA RUS under the terms of their mortgage mortgages to the REA RUS.

Item 6. Amend rule 199—18.2(476) as follows:

199—18.2(476) Location of records. All records required by any rules of the board, or necessary for the administration thereof, shall be kept within this state unless otherwise authorized by the board. Any transfer of records from a location outside this state to another location outside this state shall also require prior board authorization, but a transfer from outside this state to a locale within this state may be made with only prior notification to the board.

Each rate regulated gas utility and electric utility is to notify the board on or before April 1, 1997, of the address, telephone number, and business hours of its principal office for Iowa operations maintained within the state of Iowa. The board is to be notified by each rate-regulated gas utility and electric utility within 30 days of any change in the address, telephone number, or business hours of the utility's principal office for Iowa operations. A utility providing gas and electric service may designate one principal office for both types of utility operations or a separate principal office for each type of utility operation. Notwithstanding any other provisions provision of these rules, the following books, accounts, papers, and records, or current copies thereof, are required to be maintained at the utility's principal office for Iowa operations:

- 4 18.2(1) The utility's tariffs.
- 2–18.2(2) A record of the number and business location of the utility's administrative, technical, and operating personnel within the state.
 - 3. 18.2(3) The most recent inspection report.
 - 4. The most recent energy efficiency plan filing.

- 5. 18.2(4) The most recent rate case filing.
- 6. 18.2(5) Annual reports for the past five years.
- 7. 18.2(6) Shareholder's reports for the past five years.
- 8. 18.2(7) Form IG-1 (gas utilities).
- 9. 18.2(8) Form IE-1 (electric utilities).
- 40. 18.2(9) Information regarding the location of other books, records, and accounts required to be maintained by the board pursuant to statute or rule.
 - Item 7. Amend rule 199—18.4(476) as follows:

199—18.4(476) Electric utilities other than rural electric cooperatives.

- 18.4(1) Units of property. Electric utilities subject to rate regulations regulation shall adopt, in addition to the requirements of 199 IAC Chapter 16, Part 116 of the FPC rules, 18 CFR 116, maintain an accounting system for Units of Property for Use in Accounting for Additions and Retirements of Electric Plant as issued April 1, 1977 in accordance with 199—16.2(476), which adopts the 2000 FERC rules, 18 CFR Part 101, Electric Plant Instructions.
- **18.4(2)** Preservation of records. All electric utilities subject to regulation by the board shall preserve the records of their operations in accordance with the provisions of Part 125 of the <u>FPC FERC</u> rules, 18 CFR <u>Part</u> 125, Preservation of Records of Public Utilities and Licensees, as issued on April 1, <u>1977 2000</u>. Rate-regulated companies shall further ensure the preservation of records of associated companies, whether or not the associated companies are themselves utilities, as necessary to support the cost of services rendered to the utility by the associated companies.

Item 8. Amend rule 199—18.5(476) as follows:

199—18.5(476) Rural electric cooperatives.

- 18.5(1) Units of Property. Rural electric cooperatives (RECs) subject to rate regulation by the board shall adopt the REA RUS rules contained in REA Bulletin 181-2, Standard List of Retirement Units, issued May 1968 and revised by pen and ink changes as of July 1974 RUS 7 CFR Part 1767 issued January 1, 2002. The REC shall maintain sufficient records to support additions to plant, retirement units, and replacements of electric plant, in accordance with 7 CFR Part 1767.10, Definitions, 7 CFR Part 1767.15, General Instructions, 7 CFR Part 1767.16, Electric Plant Instructions, and 7 CFR Part 1767.20, Plant Accounts.
- 18.5(2) Preservation of records. Rural electric cooperatives shall preserve the records of their operations in accordance with the provisions of the REA rules contained in REA Bulletin 180-2, Manual for Preservation of Borrowers Records (Electric) issued June 6, 1972-RUS rules contained in RUS Bulletin 180-2, Manual for Preservation of Borrowers Records (Electric) issued June 6, 1972.

Item 9. Amend rule 199—18.6(476) as follows:

199—18.6(476) Gas utilities.

18.6(1) Units of property. Gas utilities subject to rate regulation shall adopt, in addition to the requirements of 199 IAC Chapter 16, Part 216 of the FPC rules, 18 CFR 216, maintain an accounting system for Units of Property for Use in Accounting for Additions and Retirements of Gas Plant issued April 1, 1977. in accordance with 199—16.3(476), which adopts the 2000 FERC rules, 18 CFR Part 201, Gas Plant Instructions

18.6(2) Preservation of records. All gas utilities subject to regulation by the board shall preserve the records of their operations in accordance with the provisions of Part 225 of the FPC FERC rules, 18 CFR Part 225, Preservation of Records of Natural Gas Companies, as issued April 1, 1977 2000. Rate-regulated companies shall further ensure the preservation of records of associated companies, whether or not the associated companies are themselves utilities, as necessary to support the cost of services rendered to the utility by the associated companies.

Item 10. Amend rule 199—18.7(476) as follows:

199—18.7(476) Water utilities.

- 18.7(1) Units of property. Water utilities subject to rate regulation shall adopt, in addition to the requirements of 199 IAC Chapter 16, the NARUC "List of Retirement Units of Property for Water Utilities" effective January 1, 1972. maintain an accounting system for Units of Property in Accounting for Additions and Retirements of Water Plant in accordance with 199—16.4(476) which adopts the 1996 NARUC uniform systems of accounts for Class A, B, and C water utilities.
- 18.7(2) Preservation of records. All water utilities subject to regulation by the board shall preserve the records of their operations in accordance with the provisions of the NARUC <u>guidelines</u> rules: Regulations to Govern the Preservation of Records of Electric, Gas and Water Utilities, April 1972 revised May 1985 edition. They Regulated water utilities shall further ensure the preservation of records of associated companies, whether or not the associated companies are themselves utilities, as necessary to support the cost of services rendered to the utility by associated companies.

Item 11. Amend rule 199—23.1(476) as follows:

199—23.1(476) General information.

- **23.1(1)** Every public utility is required to keep and render its books, accounts, papers, and records accurately and faithfully in the manner and form prescribed by the board and to comply with all directions of the board relating to such books, accounts, papers, and records.
- 23.1(2) Each public utility subject to lowa Code chapter 476 shall file with this board, on or before April 1 of each year, an annual report as described in these rules this chapter and covering operations during the immediately preceding calendar year. Pursuant to Iowa Code chapter 476, this information will be used to apportion the costs of the utilities division. If a utility ceases operations through merger or sale of its plant during the calendar year, each utility involved in the transaction shall separately file, within 90 days after the merger or sale, an annual report covering the portion of the calendar year operations to the date of sale or merger.
- 23.1(3) All pages of the report must be completed and submitted to the board. The words "none" or "not applicable" may be used to complete a schedule when they accurately and fully state the facts. The board shall be notified of the nature, amount, and purpose of any accounts used in addition to those prescribed in utilities division 199—Chapter 16., "Accounting." A copy shall be retained in the respondent's file. All reports are to be prepared for and certified to the lowa utilities board.
- **23.1(4)** Annual report requirements specified in "Regulations Governing Service Supplied by Gas, Electric, Telephone, or Water Utilities," utilities division,

199—Chapters 19, 20, 21, and 22, shall be included with the annual reports set forth in the following paragraphs. The reporting utility should use their its own format in preparing such reports.

Item 12. Amend rule 199—23.2(476) as follows:

199—23.2(476) Annual report requirements—rate-regulated utilities. Two copies each of the following report forms must be completed and filed with the board.

23.2(1) Electric utilities.

- a. Class A & B Major electric utilities—Form IE-1, Annual Report—Rate-Regulated Electric Utilities electric utilities (including FPC FERC Annual Report
 Form No. 1). A "major" electric utility is defined as a utility that had, in each of the
 last three consecutive years, sales or transmission service that exceeded any one or
 more of the following: (1) 1 million megawatt hours of total sales; (2) 100 megawatthours of sales for resale; (3) 500 megawatt hours of power exchanges delivered; or
 (4) 500 megawatt hours of wheeling for others (deliveries plus losses). Title 18 CFR
 Part 101, General Instructions 1.A.(1).
- b. Class C & D Nonmajor electric utilities—Form IE-1, Annual Report—Rate-Regulated Electric Utilities electric utilities (including FPC FERC Annual Report Form No. 1F). A "nonmajor" electric utility is defined as a utility that is not classified as major and had total sales in each of the last three consecutive years of 10,000 megawatt hours or more. Title 18 CFR Part 101, General Instructions 1.A.(2).

 23.2(2) Gas utilities.

- a. Class A & B Major gas utilities—Form IG-1, Annual Report—Rate-Regulated Gas Utilities gas utilities (including FPC FERC Annual Report Form No. 2). A "major" gas utility is defined as a gas utility whose combined gas sold for resale and gas transported or stored for a fee exceeds 50 million Mcf at 14.73 psi (60° F) in each of the three previous calendar years. Title 18 CFR Part 201, General Instructions 1.
- b. Class C & D Nonmajor gas utilities—Form IG-1, Annual Report—Rate-Regulated Gas Utilities gas utilities (including FPC FERC Annual Report Form No. 2A). A "nonmajor" gas utility is defined as a utility (1) that is not classified as a major gas utility and (2) that had total gas sales volume transactions exceeding 200,000 Mcf at 14.73 psi (60° F) in each of the three previous calendar years. Title 18 CFR Part 201, General Instructions 1.
 - 23.2(3) to 23.2(9) No change.
 - Item 13: Amend rule 199—31.3(476) as follows:

199—31.3(476) Annual filing.

- **31.3(1)** On or before June 30 of each year, all public utilities shall file with the board the following information:
- a. An executive summary of each new or revised contract, arrangement, or other similar transaction between the public utility and an affiliate. The executive summary shall include: the document number, the start and end date of the contract, the providing affiliate, the receiving affiliate, the total estimated dollar value, the dollar amount reported for the calendar year, and a description of the service or goods covered.

- 1.b. Verified copies of all contracts, arrangements, or other similar transactions between the public utility and an affiliate made or entered into on or after July 1, 1989, and verified copies or a verified summary of all contracts, arrangements, or other similar transactions between the public utility and an affiliate made or entered into prior to July 1, 1989, but in force and effect after July 1, 1989. shall be provided to the board upon request. This includes all contracts, or arrangements, or other similar transactions as required by lowa Code subsections 476.74(1) to 476.74(4).
- 2. 31.3(2) Contracts, arrangements, or other similar transactions with an affiliate where the consideration is not in excess of \$50,000 or 5 percent of the capital equity of the utility, whichever is smaller, are exempt from this filing requirement. In lieu of the filing requirement, the public utility shall file on or before June 30 of each year a report of the total amount of each contract, arrangement, or other similar transactions with affiliates qualifying under this exemption. Each affiliate shall be identified separately.
- **31.3**(1)(3) After an initial filing under rule 31.3(476), a public utility shall file only new contracts or arrangements or other similar transactions and modifications or amendments to existing contracts or arrangements, or other similar transactions on an annual basis. If there have been no new contracts, or arrangements, or other similar transactions, the public utility shall file a statement to that effect.
- 31.3(2)(4) If a new affiliate is created, if an existing affiliate is dissolved or merged, if a contractual arrangement or other similar transactional relationship between the public utility and an affiliate is created, or if a contractual arrangement or other similar transactional relationship is terminated between the public utility and

an affiliate, the public utility shall notify the board in writing within 30 days of the date of the event. This subrule does not apply if a proposal for reorganization pursuant to 199—Chapter 32 is to be filed with the board.

Item 14. Amend rule 199—32.1(476) as follows:

199—32.1(476) Applicability and definitions of terms.

- 4. 32.1(1) This chapter applies to any person who intends to acquire, sell, lease, or otherwise dispose indirectly or directly of the whole or any substantial part of a public utility's assets; or purchase, acquire, sell, or otherwise dispose of the controlling capital stock of any public utility, either directly or indirectly. Either individually or on a joint basis, a proposal for reorganization shall be filed by the person(s) to whom this chapter applies. All terms used in this chapter not otherwise defined shall be defined as the terms are defined in lowa Code Supplement section 476.72. "Proposal for reorganization" means the application for approval of a reorganization including the supporting testimony, evidence, and filing requirements identified in rule 32.4(476).
- 2. 32.1(2) This chapter does not apply to transfers or removals of a public utility's assets which are made specifically pursuant to a board deregulation order, as long as those transfers or removals occur within 12 months of the board's approval of an accounting separation plan.
 - Item 15. Amend subrule 32.2(1) as follows:
- **32.2(1)** Unless an application pursuant to Iowa Code section 476.77 and this chapter has been filed or a waiver obtained pursuant to rule 32.8(476) 199 IAC 1.3 (17A,474,476,78GA,HF2206), no public utility shall acquire or lease assets, directly

or indirectly, with a value in excess of 3 percent of the utility's lowa jurisdictional utility revenue during the immediately preceding calendar year or \$5 million, whichever is greater. For purposes of this subrule and subrule 32.2(2), "value" means the greater of market or book value.

Item 16. Amend rule 199—32.3(476) as follows.

Amend subrule **32.4(3)** by adopting new paragraphs "f" to "h" as follows:

- f. Stockholder quarterly reports for the two quarters just prior to the date of the filing and any subsequent reports as they become available during the proceeding, for all affected companies.
- g. The major credit rating agencies' reports for two years preceding the filing date of the merger and updates as they become available during the proceeding, for all affected companies.
- h. Any proxy statement to the stockholders regarding the proposed reorganization. If such is not available at time of filing, a preliminary statement shall be filed followed by the final statement when available.

Adopt the following <u>new</u> subrule:

32.4(6) Effect on service and reliability.

- a. Report on quality of service and reliability levels of utility services for each of the five years prior to the year of filing, for all affected companies.
- b. Detailed statement on how the proposed reorganized entity will maintain or enhance service and reliability. Provide any investment or operational plans for this purpose that are available.

Item 17. Amend rule 199—33.5(476) as follows:

Amend the introductory paragraph as follows:

199—33.5(476) Cost allocation manuals. Every rate-regulated gas or electric public utility equaling or exceeding the filing threshold in 1993 or any calendar year thereafter shall file with the board a cost allocation manual on or before September 1 of the following year. If the utility has not changed its cost allocation manual since the last filing on September 1, the utility shall file a letter with the board to that effect. Refer to subrule 33.5(3) for information on updating cost allocation manuals. In the event the utility has only minor changes to its manual regarding new accounts, new affiliates, or modified language, the utility may file only the pages being affected.

The filing will include a cover letter explaining the pages being filed.

Amend subrule **33.5(2)**, paragraph "a," as follows:

a. Filing. Utilities meeting the filing threshold as of December 31, 1993, shall file manuals on or before September 1, 1994. Utilities subsequently meeting the filing threshold requirements shall file manuals on or before September 1 of the year following the year the threshold requirement was first met.

Item 18. Amend rule 199—34.6(476) as follows:

199—34.6(476) Procedures for utilization of billing and collection system.

- 4. <u>34.6(1)</u> When a person meeting the requirements of rule 34.4(476) uses the billing and collection system of a public utility, the public utility shall promptly remit to that person all funds collected by the public utility on behalf of the person.
- 2. 34.6(2) Where a customer makes a partial payment and owes both a public utility and a person(s) meeting the requirements of rule 34.4(476) for services or goods provided, the payment received shall be allocated first to the regulated utility

bill plus tax, unless otherwise allocated by the customer. Any balance remaining after payment of the utility bill plus tax shall be allocated between the public utility for any unpaid nonutility services, if any, and any other person(s) utilizing the utility's billing system according to the ratio of the amount billed by each unless otherwise

allocated by the customer. A public utility shall not disconnect a customer's utility

service for nonpayment of a bill for nonutility services.

A person cannot shall not use a public utility's billing and collection systems to bill and receive payments only to target from customers who are habitually delinquent or who have failed or refused to make payment to the person problem payers.

June 5, 2003

/s/ Diane Munns

Diane Munns Chairman